HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Regina CMA

Canada Mortgage and Housing Corporation

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NEW HOME MARKET

Single-detached starts decline in 2009 but growth returns in 2010

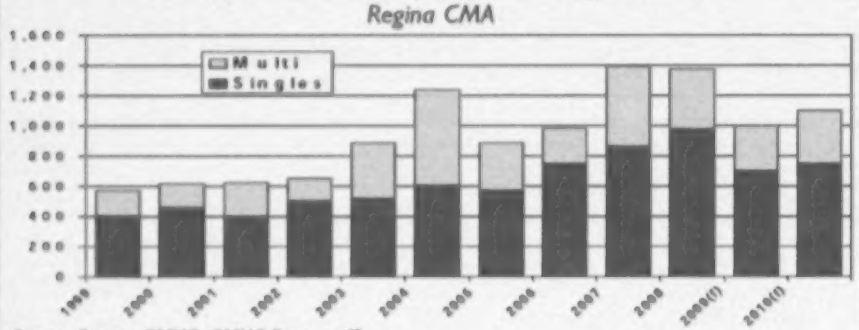
Following a 22-year high in 2008, CMHC is forecasting a 28.5 per cent reduction in single-detached starts this year. Regina will see 700 single-detached starts in 2009, down from 979 in 2008. Forecast starts activity in 2009 will fall back to 572 single-detached starts. In 2010, single activity will see an uptick, reaching 750 units by year-end. Economic growth and migration are seeing moderation in 2009, leading to builders scaling back on new housing starts and addressing a growing inventory of single units.

This adjustment is already taking place in Regina. To the end of March, single starts were 40.6 per cent lower than the end of the first quarter of 2008.

Figure 1

Single and Multiple Housing Starts

Regina CMA



Source: Source: CMHC, CMHC Forecast (f)

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HOME TO CANADIANS

The supply of single units in Regina is slowly trending down since peaking at 963 units last November. Notwithstanding this recent reversal, supply remains higher than at this time in 2008. At the end of March, the sum of single-detached units under construction and complete and unabsorbed was up 25 per cent over the first quarter figure in 2008, having reached more than 900 units. Supply had been increasing on a year-over-year basis since March of 2004 but we expect the recent downward trend to continue as units reach completion.

Most of the single-detached supply is in the form of units that are under construction. The number of single units under construction peaked in November at 929 units. By the end of the first quarter there had been a reduction in the number of single dwellings at various stages of construction but this number remains more than 23 per cent higher than the end of the first quarter in 2008.

The number of complete and unoccupied units has more than doubled since March 2008 and is now at more than 40 units. There have been increases, on a year-over-year basis, in the number of complete and unoccupied singles since April 2008.

Given current absorption rates of approximately 60 units monthly, the supply of ownership (largely single-detached) units had surpassed 15 months. The months of supply figure has been trending down since December 2008 due to reducing supply stemming from falling starts. The peak occurred in November at more than 16 months of supply.

Starts in bedroom communities decelerate but retain share

Single starts in Regina's bedroom communities fell off 43 per cent in the first quarter. So far this year, these communities have captured 25.6 per cent of total single starts. This is close to the 2008 first quarter share of 27 per cent. Over the last five years, bedroom communities have seen an average of 21 per cent of single starts fall within their boundaries.

Average price sees slower increases in 2009 and 2010

In the face of heightened demand, new home prices have seen double-digit per cent increases since 2005. We forecast the new single-detached absorbed price to average near $360,500 in 2009, close to the 2008 average price of $359,795. In 2010, the average absorbed price will increase slightly, reaching $361,000.

To the end of March, the average price of single-detached units absorbed in Regina has recorded an increase of 13.5 per cent over the same time a year ago and 2.2 per cent over December 2008. Notwithstanding these early gains, the average price is showing signs of easing. In the first quarter, the year-to-date average price has declined by 3.2 per cent from $379,765 in January to its current average price of $367,773 to the end of March.

The share of homes absorbed in the higher price ranges has been increasing. At the end of the first quarter, absorptions in the range of $450,000 and over captured 16 per cent of total units compared to nine per cent last year at this time. Absorptions in the $350,000 to $449,999 range were also up with a 39 per cent share, surpassing last year's share of 23 per cent.

The growth in market share within these high-end price ranges demonstrates the single-detached homebuilder is targeting the move-up buyer while first-time buyers must turn to lower-priced, condominium housing if they wish to make a new home purchase.

New House Price Index

The New House Price Index (NHPI) measures the change in price for a new home, while keeping the specifications of each home constant over two consecutive periods. To the end of February, Statistics Canada's New House Price Index (NHPI) in Regina increased by 15 per cent compared to same time last year. Year-over-year growth has been lessening since peaking in the second quarter of 2008 and we expect the increase in the NHPI will be 4.8 per cent in 2009 and 2.7 per cent in 2010.

Multiple starts dip in 2009 but recover in 2010

We expect multiple starts will reach 300 units in 2009 with an increase to 350 units in 2010. The 2009 forecast represents a 24.2 percent decline from 2008 and the 2010

multiple starts forecast of 350 will be up 16.7 per cent from 2009. Following two years of heightened activity, builders are moderating production of multiples in the face of a historically high supply of units.

There are some early indications of a turning point in supply. The total number of multi-family units under construction and complete and unabsorbed reached 495 units at the end of March, slightly below the 498 units that were seen a year ago. Supply had been trending up on a year-over-year basis since August 2007. March represents the first month we have recorded a decline.

In March, apartments made up the majority of multi-family supply with a count of 378 units. Semi-detached and row units totalled 36 and 79, respectively. Close to 86 per cent of apartment units in supply were still under construction, as were 96 per cent of semi-detached and all of the row units.

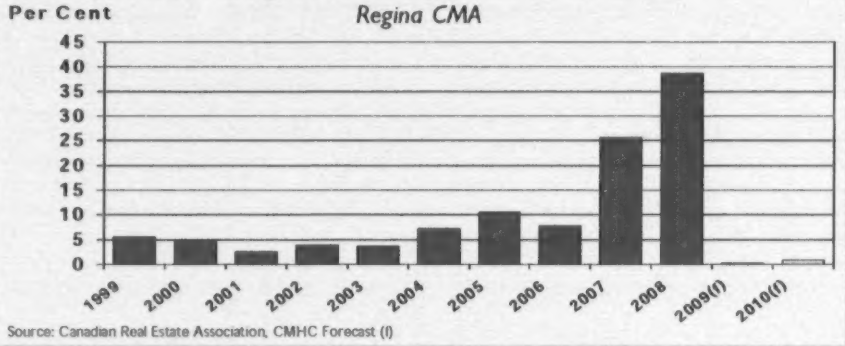
At the end March, accumulated multi-family absorptions of 87 units were up 55 per cent compared to last year. Apartments led the multi-family absorptions at 58 units, followed by 17 row and 12 semi-detached units.

At the end of the first quarter, there was a 9.5 month supply of condominium row units available considering an absorption trend of just over eight units monthly. At the same time, the supply of apartment condominiums was sufficient to last almost 27 months, at an absorption trend of about 13 suites monthly.

Figure 2

Change in Average MLS® Price

Regina CMA



Source: Canadian Real Estate Association, CMHC Forecast (f)

RESALE MARKET

Resales to decline 16 per cent in 2009, rise 7.1 per cent in 2010

CMHC forecasts MLS® sales will decline by 16 per cent in 2009 to 2,800 sales but return to growth in 2010 with a 7.1 per cent increase, reaching 3,000 resales.

A slower pace of migration and economic growth will contribute to weaker sales this year. In the face of weaker demand and heightened listings, seasonally adjusted price gains have slowed to one per cent month-over-month, compared to 1.6 per cent at this time in 2008 and 2.9 per cent at the end of the first quarter 2007. A surge of listings throughout 2007 and much of 2008 has led to an abundance of listings, offering the consumer a wide choice of units. The balance between these positive and negative factors supports our sales forecast.

Sales of existing homes in Regina through the first three months of this year totalled 679 units, representing a decrease of 23 per cent compared to last year. Sales declined for the eleventh consecutive month on a year-over-year basis. However, month-over-month seasonally adjusted sales have recorded increases since November 2008, suggesting sales have bottomed and buyers are making a cautious return to the market.

Seasonally adjusted new listings have been on the rise since October 2006 and the first quarter seasonally adjusted pace of 615 new listings per month is the highest on record. New listings processed by the Association of Regina Realtors® have been in excess of 600 listings per month since December 2008. There is some sign of cooling though, as the month to month increase in seasonally adjusted new listings has been in decline since January.

Active listings peaked at 1,697 units in September 2008. At the end of the first quarter, active listings stood at 1,542, more than triple the

number of listings seen in March 2008. Looking at trends, seasonally adjusted active listings continue to show monthly increases, but there is a slowing in the rate of the increase. In the first quarter of 2009, the increase ranged between four and six per cent, far below the double-digit increases in the first and second quarters of 2008.

Fewer sales combined with a relatively high level of active listings kept the sales-to-active listings ratio at 18 per cent at the end of March and a trend is not evident. At the current rate of monthly sales, the inventory of active MLS® listings is sufficient to last 6.4 months.

Price gains moderate

Following impressive gains in the preceding two years, the 2009 average MLS® price in Regina will see a slight increase over the 2008 figure, reaching $230,000. There will be little change in 2010 when the forecast average price will reach $232,000.

At the end of the first quarter, the year-to-date average resale price was $233,550, up 13.6 per cent from $205,673 to the end of March 2008. Average price is showing positive momentum with a seasonally adjusted uptick of one per cent monthly. The year over year change has declined from 53 per cent in March 2008 to 11.9 per cent in March 2009.

Part of the gain in average price comes from the share of sales captured by the higher price ranges. In the first quarter of 2009, the share of total sales in the $150,000 to $399,999 range increased by 24.1 percentage points. Conversely, the total market share of sales priced less than $150,000 declined by 21.4 per cent. The market share of sales in excess of $400,000 also declined.

Most resale market indicators are characteristic of a Buyer's market although there are signs of rising sales and a slower pace of new listings. Price gains are also trending down. If these trends continue, the market will move toward a balanced market by the end of 2009.

RENTAL MARKET

Average vacancy rate forecast to increase

In October of 2008, the average apartment vacancy rate in Regina reached a record low of 0.5 per cent. The average vacancy rate for Regina apartments will increase to 1.2 per cent in October 2009 and rise again to two per cent in 2010. Rental demand will decline due to slower in-migration and movement of rental households to home ownership.

Rent increases ease in 2009 and 2010

Rents have risen sharply in the last three years contributing to lower in-migration, lower household formation and doubling up of households. On the other hand, increased ownership prices have led to some rental households postponing purchase of a home, and reduction in-migration.

We expect average rent will continue to increase in Regina although at a slower pace than seen in 2007 and 2008 when vacancies were on the decline. Two-bedroom apartment rents are expected to increase to $855 in the October 2009 survey and increase again in 2010 to $860 monthly.

Both the City of Regina and the Province of Saskatchewan have programs in place to encourage the building of market rental and affordable rental housing.

ECONOMIC OUTLOOK

Major projects will keep construction sector active

The momentum of economic growth from 2008 has carried over into the first quarter of 2009. Over the balance of the forecast period, lower commodity prices, declining exports and the weak US economy will slow the pace of economic expansion moving forward.

At the end of March, almost $130 million dollars in total permit values were issued, up close to 50 per cent from the previous year. A majority of these investment dollars were directed towards industrial, commercial and government projects. Increased activity relating to major projects will help generate jobs, especially in the construction sector. Notable projects include the $1.9 billion CCRL refinery expansion in Regina, the largest capital project in

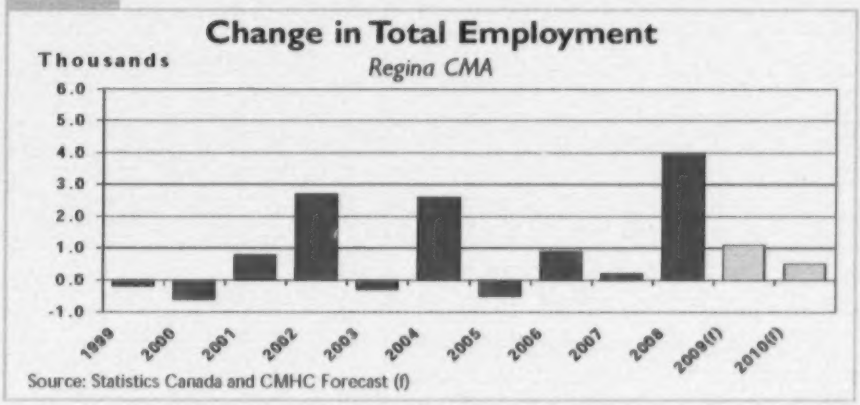
the city's history. Construction is expected to begin in 2009, with 1,200 staff at peak construction in 2010-2011. This will help compensate for weaker activity in the residential sector, where the number of permits issued for new dwellings was down 23 per cent at the end of the first quarter.

Following an impressive four per cent gain in 2008, the pace of employment growth is expected to moderate over the forecast period. Strong government expenditures and investments in a number of major projects will help counter the slowdown in the economy and ensure job growth continues. CMHC forecasts employment to increase by 1.1 per cent in 2009 and 0.5 per cent in 2010, representing 1,200 and 600 new positions, respectively.

The labour market in Regina appears to be outperforming the previous year. Employment growth during the first quarter posted favourable numbers being up 5,100 jobs compared to the year before. All of these new jobs came in the form of full-time positions which will help support the demand for home ownership.

Although the employment gains in the first quarter were impressive, we

Figure 3



Source: Statistics Canada and CMHC Forecast (f)

forecast they will not be sustained throughout the forecast period. On a seasonally adjusted basis, no job growth has occurred in the first three months of the year. Meanwhile, though the most recent unemployment rate is down on a year-over-year basis, it has increased a full percentage point since bottoming out at three per cent last year.

Regina will still remain an attractive destination for many migrants. Favourable employment opportunities and the relatively lower cost of living compared to many other parts in Canada will continue to draw migrants, although not to the same degree as in the past. Following heightened levels of migration in the preceding two years, CMHC forecasts that net migration will moderate in 2009 and 2010, reaching 2,200 persons in both years.

MORTGAGE RATES

Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Forecast Summary Regina CMA Spring 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,953	3,957	3,338	2,800	-16.1	3,000	7.1
MLS® New Listings	4,197	4,661	6,355	6,300	-0.9	5,800	-7.9
MLS® Average Price ($)	131,851	165,613	229,716	230,000	0.1	232,000	0.9
New Home Market							
Starts:							
Single-Detached	749	864	979	700	-28.5	750	7.1
Multiples	237	534	396	300	-24.2	350	16.7
Starts - Total	986	1,398	1,375	1,000	-27.3	1,100	10.0
Average Price ($):							
Single-Detached	247,392	305,290	359,795	360,500	0.2	361,000	0.1
Median Price ($):							
Single-Detached	242,499	291,100	333,600	334,000	0.1	337,000	0.9
New Housing Price Index (% chg.)	8.6	22.2	26.2	4.8	-	2.7	-
Rental Market							
October Vacancy Rate (%)	3.3	1.7	0.5	1.2	-	2.0	-
Two-bedroom Average Rent (October) ($)	619	661	756	850	-	860	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-	5.29	-
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-	5.94	-
Annual Employment Level	109,600	109,800	114,200	115,400	1.1	116,000	0.5
Employment Growth (%)	0.9	0.2	4.0	1.1	-	0.5	-
Unemployment rate (%)	4.9	4.9	3.9	4.5	-	4.6	-
Net Migration (1)	2,126	3,000	2,600	2,200	-	2,200	

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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